

CASPIAN-GAASTRA FIRE AUTHORITY

**Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

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Governing Board
Caspian-Gaastra Fire Authority
P.O. Box 530
Caspian, Michigan 49915

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the **Caspian-Gaastra Fire Authority**, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

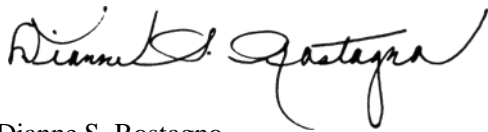
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and by the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the **Caspian-Gaastra Fire Authority** at June 30, 2008, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 04, 2008, on our consideration of the **Caspian-Gaastra Fire Authority**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 14 are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Caspian-Gaastra Fire Authority's** basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

December 04, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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ONE MUSEUM DRIVE
P.O.BOX 350
CASPIAN, MI 49915

The management of the **Caspian-Gaastra Fire Authority** provides this narrative overview and analysis of the financial activities of the **Caspian-Gaastra Fire Authority** for the fiscal year ended June 30, 2008. As readers, you are encouraged to read this discussion and analysis in conjunction with the Authority's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Authority is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The Fire Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Fire Authority are governmental funds.

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Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The Fire Authority maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and debt service fund, both of which are considered major funds.

The Fire Authority adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, and is included in the "Required Supplementary Information" section of this document.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund as presented in the governmental fund financial statements.

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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Fire Authority, assets exceeded liabilities by \$ 114,255 at June 30.

By far, the largest portion of the Authority's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2008, the Authority reported \$ 107,188 in net assets invested in capital assets net of related debt.

Summary of Net Assets

In a condensed format, the following is a comparative summary of the Authority's net assets at June 30, 2008 and June 30, 2007:

	June 30, 2008 Governmental Activities	June 30, 2007 Governmental Activities
<u>Assets</u>		
Current and other assets	\$ 7331	\$ 11170
Capital assets, net	<u>254563</u>	<u>271995</u>
Total Assets	\$ 261894	\$ 283165
<u>Liabilities</u>		
Long-term liabilities	\$ 133388	\$ 141010
Other liabilities	<u>14251</u>	<u>14251</u>
Total Liabilities	\$ 147639	\$ 155261

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Government-wide Financial Analysis

Summary of Net Assets (Continued)

	June 30, 2008	June 30, 2007
	Governmental	Governmental
	Activities	Activities
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 107188	\$ 116998
Restricted for Debt Services	1166	1166
Unrestricted	<u>5901</u>	<u>9740</u>
Total Net Assets	\$ 114255	\$ 127904

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Government-wide Financial Analysis

For governmental activities, net assets decreased by \$ 13,649 during the year.

The following represents the comparative changes in net assets for the Authority's governmental funds for the fiscal years ended June 30, 2008 and June 30, 2007:

	June 30, 2008	June 30, 2007
	Governmental	Governmental
	Activities	Activities
	<hr/>	<hr/>
<u>REVENUES</u>		
<i>Program Revenues</i>		
Charges for services	\$ 26553	\$ 29189
Operating grants and contributions	13987	13987
Capital grants and contributions	0	0
 <i>General Revenues</i>		
Investment earnings	1209	243
Other	<u>5965</u>	<u>1215</u>
 TOTAL REVENUES	 \$ 47714	 \$ 44634
 <u>EXPENSES</u>		
Administration	\$ 11116	\$ 3830
Fire Protection	14752	25777
Debt Service		
Interest and fees	7563	7908
Depreciation	<u>27932</u>	<u>27396</u>
 TOTAL GOVERNMENTAL EXPENSES	 \$ 61363	 \$ 64911
 Increase (Decrease) in Net Assets	 (13649)	 (20277)
 Net Assets, Beginning of Year	 127904	 148181
 Prior Period Adjustment	 <u>(0)</u>	 <u>(0)</u>
 Net Assets, End of Year	 \$ <u><u>114255</u></u>	 \$ <u><u>127904</u></u>

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Government-wide Financial Analysis

Governmental Activities

Operating grants and contributions were \$ 13,987, or approximately 29 percent of total governmental revenues.

Charges for services, including operating assessments, were \$ 26,553, or approximately 56% of governmental revenues.

The Fire Authority expended \$ 61,363 on governmental programs and services. Except for depreciation, the largest expense category was incurred for fire protection, which totaled \$ 14,752 or approximately 24 percent of total expenditures. Interest on long-term debt comprised \$ 7,563, or approximately 12 percent of total expenditures.

Financial Analysis of the Governmental Funds

As previously noted, the Fire Authority uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Fire Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is useful in assessing the Authority's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Authority's governmental funds reported combined ending fund balances of \$ 7,067 of which \$5,901 is unreserved and is available for spending at the government's discretion.

The Authority's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Authority ended the fiscal year with revenues slightly higher than both the original and final budgetary projections. Total expenditures were higher than both the final budget and the original projection. At fiscal year end, the fund balance was lower than both the final amended budget and the original projection.

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Governmental Funds (Continued)

Revenues – Budget vs Actual for the Fiscal Year Ended June 30, 2008:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	\$ 26816	\$ 31499	\$ 33729	\$ 6913	\$ 2230

Expenditures – Budget vs Actual for the Fiscal Year Ended June 30, 2008:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 26816	\$ 30299	\$ 36368	\$ (9552)	\$ (6069)

General fund financial and budgetary highlights of the fiscal year include:

- * Most of the revenue line items were as projected in the final amended budget, with the exception of “Other Revenue”, which was slightly higher than budget.
- * Expenditures in total for the general fund were \$ 36,368, which was \$6,069 higher than projected. This was primarily attributable to capital outlay which was funded by a local pass-through grant from the City of Caspian.

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Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2008 is \$ 254,563. The investment in capital assets includes land, buildings, fire truck, and equipment, protective gear, communications equipment, and other safety equipment.

Long-term debt

As of June 30, the Fire Authority had total debt outstanding of \$ 147,375. Of this amount, \$13,987 is due and payable within the next 12 months.

The following areas highlight the Fire Authority's priorities and accomplishments:

To provide the Fire Authority with top quality fire protection at the lowest possible cost. To this end, the Fire Authority has strived to support our current firefighters and to recruit and train new firefighters.

Future plans include:

Continuation with the improvement of the Fire Authority's equipment and performance programs, and by maintaining and upgrading fire equipment through timely repair and grant applications to fund improvements.

Requests for Information

This financial report is designed to provide a general overview of the Fire Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Caspian-Gaastra Fire Authority
P.O. Box 350
Caspian, Michigan 49915

BASIC FINANCIAL STATEMENTS

CASPIAN-GAASTRA FIRE AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Investments (Note C)	\$ 995
Accounts Receivable	3,100
Prepaid Insurance	3,236
Total Current Assets	<u>7,331</u>
<u>Noncurrent Assets</u>	
Capital Assets, Net (Note H)	<u>254,563</u>
Total Noncurrent Assets	254,563
TOTAL ASSETS	\$ 261,894
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	264
Bonds/Notes Payable, Due within one year (Note I)	<u>13,987</u>
Total Current Liabilities	14,251
 Noncurrent Liabilities	
Bonds/Notes Payable (Note I)	<u>133,388</u>
Total Noncurrent Liabilities	133,388
TOTAL LIABILITIES	\$ 147,639
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	107,188
Restricted for Debt Services	1,166
Unrestricted	<u>5,901</u>
TOTAL NET ASSETS	\$ 114,255

The notes to the financial statements are integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Functions/Programs	PROGRAM REVENUES				Net(Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
Primary Government -					
Public Safety:					
Administration	\$ 11,116	\$ -	\$ -	\$ -	\$ (11,116)
Fire Protection	14,752	26,553		-	11,801
Interest on Long-Term Debt	7,563		13,987		6,424
Depreciation (Unallocated)	27,932	-	-	-	(27,932)
Total Governmental Activities	\$ 61,363	\$ 26,553	\$ 13,987	\$ -	\$ (20,823)
 <u>General Revenues</u>					
Miscellaneous Income					5,965
Interest and Investment Earnings					1,209
Total General Revenues					7,174
Change in Net Assets					(13,649)
Net Assets - Beginning of year					127,904
Net Assets - End of year					\$ 114,255

The notes to the financial statements are an integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

GOVERNMENTAL FUNDS - BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Investments (Note C)	\$ 995	\$ -	\$ 995
Accounts receivable	1,934	1,166	3,100
Prepaid Insurance	<u>3,236</u>	<u>-</u>	<u>3,236</u>
TOTAL ASSETS	<u>\$ 6,165</u>	<u>\$ 1,166</u>	<u>\$ 7,331</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	<u>264</u>	<u>-</u>	<u>264</u>
TOTAL LIABILITIES	264	-	264
<u>FUND BALANCES</u>			
Reserved for Debt Service	-	1,166	1,166
Unreserved and undesignated	<u>5,901</u>	<u>-</u>	<u>5,901</u>
TOTAL FUND BALANCES	5,901	1,166	7,067
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,165</u>	<u>\$ 1,166</u>	<u>\$ 7,331</u>

The notes to the financial statements are integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

Fund Balances - Total Governmental Funds	\$ 7,067
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:	416,378
Accumulated depreciation is:	(161,815)

Long term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable	(147,375)
---------------	-----------

Other long term assets not available to pay current period expenditures therefore deferred in the funds

-

Accrued interest is not included as a liability in governmental funds

-

Amounts due to other non-governmental funds are not reported in the government-wide financial statements

-

Total Net Assets - Governmental Activities	<u><u>\$ 114,255</u></u>
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The notes to the financial statements are an integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES**

YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUE</u>			
Local Unit Assessments	\$ 23,500	\$ 13,987	\$ 37,487
Use of money and property	1,209	-	1,209
Charges for Services	3,054	-	3,054
Miscellaneous	5,966	-	5,966
Intergovernmental	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	\$ 33,729	\$ 13,987	\$ 47,716
<u>EXPENDITURES</u>			
Current Operating:			
Administration	11,116	-	11,116
Public Safety	14,752	-	14,752
Debt Service			
Principal	-	7,624	7,624
Interest and Fees	-	7,563	7,563
Capital Outlay	10,500	-	10,500
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 36,368	\$ 15,187	\$ 51,555
 Excess (Deficiency) of Revenues Over Expenditures	 (2,639)	 (1,200)	 (3,839)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	(1,200)	1,200	-
 Net Change in Fund Balances	 (3,839)	 -	 (3,839)
 FUND BALANCE - BEGINNING OF YEAR	 <u>9,740</u>	 <u>1,166</u>	 <u>10,906</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 5,901</u>	 <u>\$ 1,166</u>	 <u>\$ 7,067</u>

The notes to the financial statements are an integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ (3,839)**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(27,932)
Capital Outlay	<u>10,500</u>

Total	(17,432)
-------	----------

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

7,624

Increases Decreases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

-

Loan proceeds are reported as other financing sources in the governmental
funds, but are not reported in the statement of activities

-

Rounding adjustment

(2)

Change in Net Assets of Governmental Activities **\$ (13,649)**

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

CASPIAN-GAASTRA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **Caspian-Gaastra Fire Authority**, Caspian, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **Caspian-Gaastra Fire Authority** was formed to organize, equip, and manage a fire department to provide fire protection for the land areas within the boundaries of the cities of Caspian and Gaastra. The **Caspian-Gaastra Fire Authority** was formed on February 01, 2001, and, as provided by statute, operates under a Governing Board which consists of 2 members appointed by the governing body of each respective municipality, plus one additional member selected by the Board who shall be a resident of a participating municipality.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

The criteria established by GASB Statement 14, The Financial Reporting Entity, is used to determine the primary government unit and the component units to be included in the financial reporting entity.

This Statement describes the characteristics of a primary government unit, which includes a separately elected governing board, legally separate government possessing corporate power and separate legal standing, and fiscal independence. GASB 14 also provides criteria for defining the component unit, based on the fundamental concept of accountability.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but is so intertwined with the local unit that it is, in substance, the same as the local governmental unit.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government.

This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

On the basis described above, there are no blended component units whose financial statements are included in the financial statements of the **Caspian-Gaastra Fire Authority**. However, the financial statements of the *Caspian-Gaastra Volunteer Fire Department* should be reported as a discretely presented component unit. This financial information has not been included in the financial statements of the **Caspian-Gaastra Fire Authority**.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS (Continued)

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Fire Authority follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements (Continued)

This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (governmental activities).

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Fire Authority and many other governments revise their original budgets over the course of the year for a variety of reasons.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Fire Authority as a whole) and fund financial statements. The reporting model focus is on both the Fire Authority as a whole and the fund financial statements, including the major individual funds of the governmental categories.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The criteria applied for major fund qualification is as follows:

- 1) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.
- 2) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or any other elements taken one a time would have to pass both the 10% test and the 5% test for the fund to be required to be considered a major fund.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental. In the government-wide Statement of Net Assets, the governmental column (a) is presented, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Fire Authority generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Fire Authority may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety) that is otherwise being supported by general government revenues (interest and investment earnings). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety).

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Program revenues include 1) charges to customers for fire protection and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues. The Fire Authority does not allocate indirect expenses. When applicable, the operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Fire Authority are organized on the basis of funds.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The following is a brief description of the specific funds used by the Fire Authority:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

GOVERNMENTAL FUNDS (Continued)

The acquisition, use, and balances of the Authority's expendable financial resources and the related current liabilities are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from assessments from participating municipalities.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Both the General Fund and the Debt Service Fund are major funds for government-wide reporting purposes.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements.

Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The Statement of Net Assets and Statement of Activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest and long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the Fire Authority's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Fire Authority pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Fire Authority classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General Fund. On an annual basis the charges are reviewed for collectibility.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year-end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Fire Authority for future expenditures.

BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

The budget basis of accounting does not differ significantly from the modified accrual basis to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. Unexpended appropriations lapse at fiscal year-end.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General Fund and as assets in the governmental-wide statements to the extent the Fire Authority's threshold of \$500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Buildings20 - 30 years

Infrastructure 10 - 65 years

Furniture and Other

Equipment 5 - 20 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES

There are no compensated absences to be reported.

POST-EMPLOYMENT BENEFITS

There are no post-employment benefits for the **Caspian-Gaastra Fire Authority**.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

On June 30, 2008, the Fire Authority had no inter-fund receivables/payable.

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the year ended June 30, 2008, the Fire Authority authorized the following transfer:

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

OPERATING TRANSFERS (Continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -0-	\$ 1200
Debt Service Fund	<u>1200</u>	<u>-0-</u>
Totals	\$ <u>1200</u>	\$ <u>1200</u>

<u>Summary by Fund Classification</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds - Governmental	\$ <u>1200</u>	\$ <u>1200</u>
Totals	\$ 1200	\$ 1200

The General Fund transfers to the Debt Service Fund to provide monies for payment of principal and interest on notes/loans not provided for by Debt Service assessments.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Fire Authority's funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On June 30, 2008, the carrying value of the Fire Authority's deposits (Primary Government) was \$ 995 and is comprised of cash and deposits reflected in the following funds:

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

<u>Governmental Funds</u>		
General Fund	\$	995
Debt Service Fund		<u>0</u>
Total Governmental Funds	\$	995

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Fire Authority or its agent in the Fire Authority's name.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Fire Authority's name.

Category 3

Deposits which are not collateralized or insured.

Based on these levels of risk, the Fire Authority's cash deposits (Primary Government) are classified as follows:

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category 1	Category 2	Category 3	Total
Cash and Deposits	\$ 995	\$ -0-	\$ -0	\$ 995

INVESTMENTS

The Fire Authority's investments are categorized below to give an indication of the level of risk assumed at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the Fire Authority or it's agent in the Fire Authority's name.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Fire Authority's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Fire Authority's name.

The Fire Authority has no investments as reflected below:

<u>Investment Type</u>	\$	<u>Category 1</u>	\$	<u>Category 2</u>	\$	<u>Category 3</u>	\$	<u>Carrying Value</u>	\$	<u>Market Value</u>
		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>
Total Investments	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Fire Authority to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Fire Authority has adopted an investment policy, allowing for all types of deposits and investments listed above. The Fire Authority's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

The Fire Authority does not maintain a pension plan.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

The **Caspian-Gaastra Fire Authority's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Caspian-Gaastra Fire Authority** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2007-2008 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 6,108, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>Activity (Cost Center)</u>	<u>Actual</u>	<u>Budget</u>	<u>Over Expenditures</u>
Public Safety			
Liability Insurance	\$ 6174	\$ 5841	\$ 333
Capital Outlay	<u>10500</u>	<u>4725</u>	<u>5775</u>
Total	\$ 16674	\$ 10566	\$ 6108

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE F - ACCUMULATED FUND DEFICITS

At June 30, 2008, the Fire Authority had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Fire Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fire Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Fire Authority.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2008:

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	-0-	-0-	-0-	-0-
Total Capital Assets Not Being Depreciated	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Other Capital Assets				
Buildings	164886	-0-	-0-	164886
Furniture and Other Equipment	<u>240991</u>	<u>10500</u>	<u>-0-</u>	<u>251491</u>
Total Other Capital Assets	\$ 405877	\$ 10500	\$ -0-	\$ 416377
Less Accumulated Depreciation For:				
Buildings	(21436)	(3298)	-0-	(24734)
Furniture and Other Equipment	<u>(112446)</u>	<u>(24634)</u>	<u>-0-</u>	<u>(137080)</u>
Total Accumulated Depreciation	(133882)	(27932)	-0-	(161814)
Other Capital Assets, Net	271995	(17432)	-0-	254563
TOTALS	\$ <u>271995</u>	\$ <u>(17432)</u>	\$ <u>-0-</u>	\$ <u>254563</u>

Depreciation was charged to governmental functions as unallocated.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE I - LONG-TERM DEBT

The following is a summary of the primary government's long-term debt obligation at June 30, 2008:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
<u>NOTES PAYABLE</u>				
<i>Wells Fargo Bank</i>				
#000-00-0001-8	\$ 132298	\$ -0-	\$ 6423	\$ 125875
<i>City of Caspian</i>	15740	-0-	1200	14540
<i>City of Gaastra</i>	<u>6960</u>	<u>-0-</u>	<u>-0-</u>	<u>6960</u>
Totals	\$ <u>154998</u>	\$ <u>-0-</u>	\$ <u>7623</u>	\$ <u>147375</u>

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTES PAYABLE -
WELLS FARGO BANK FIRE HALL LOAN # 000-00-
0001-8

On April 11, 2001, the **Caspian-Gaastra Fire Authority** entered into an installment agreement with the Wells Fargo Bank for the purchase of the Fire Hall in the amount of \$164,885.86, bearing interest at the rate of 5.75% per annum, payable in 240 monthly payments of \$1,165.59 beginning May 11, 2001, with all subsequent payments due on the eleventh day of each month thereafter.

The principal balance of the note on June 30, 2008 was \$125,875.

CITY OF CASPIAN

On January 5, 2004, the City of Caspian paid \$ 18,039.88 to Republic Bank on behalf of the **Caspian-Gaastra Fire Authority**. This was a partial payment toward the balloon payment on the Fire Truck loan # 5003000686.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE I - LONG-TERM DEBT (CONTINUED)

CITY OF CASPIAN (Continued)

During the 2007-2008 fiscal year there was a \$1,200 payment made on the Fire Truck loan. The balance on the Fire Truck loan as of June 30, 2008 is \$14,540.

CITY OF GAASTRA

On October 08, 2004, the City of Gaastra paid \$ 6,960 to the Republic Bank on behalf of the **Caspian-Gaastra Fire Authority**. This was a partial payment toward the balloon payment on the Fire Truck loan # 5003000686. The amount payable to the City of Gaastra on June 30, 2008 was \$ 6,960.

NOTE J - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE J – RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

CASPIAN-GAASTRA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2008

NOTE K - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2008, there were no subsequent events that would have a significant effect on the Fire Authority's operations.

NOTE L - COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to be reported for the **Caspian-Gaastra Fire Authority** for the fiscal year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

CASPIAN-GAASTRA FIRE AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE</u>			
Local Unit Assessments	\$ 23,500	\$ 23,500	\$ 23,500
Use of money and property	1,216	1,210	1,209
Federal Revenue	-	-	-
Charges for Services	2,000	3,054	3,054
Other Revenue	100	3,735	5,966
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	26,816	31,499	33,729
<u>EXPENDITURES</u>			
Administration	11,755	10,798	11,116
Public Safety	13,061	14,776	14,752
Capital Outlay	2,000	4,725	10,500
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	26,816	30,299	36,368
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out	<hr/>	(1,200)	(1,200)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,200)	(1,200)
NET CHANGE IN FUND BALANCE	-	-	(3,839)
FUND BALANCE - BEGINNING OF YEAR	<hr/> 9,740	<hr/> 9,740	<hr/> 9,740
FUND BALANCE - END OF YEAR	<hr/> \$ 9,740	<hr/> \$ 9,740	<hr/> \$ 5,901

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

CASPIAN-GAASTRA FIRE AUTHORITY

GENERAL FUND - BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 995
Accounts Receivable	1,934
Prepaid Insurance	<u>3,236</u>
TOTAL ASSETS	<u>\$ 6,165</u>

LIABILITIES

Accounts Payable	<u>264</u>
TOTAL LIABILITIES	264

FUND EQUITY

Fund Balance	<u>5,901</u>
TOTAL FUND EQUITY	5,901
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,165</u>

The notes to the financial statements are an integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008

			VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	
<u>Local Sources</u>			
Assessments	\$ 23,500	\$ 23,500	\$ -
Fire Services	3,054	3,054	-
Rent	1,200	1,200	-
Interest	9	10	(1)
Local Grants (Pass-through)	5,775	3,544	2,231
Miscellaneous	191	191	-
Total Local Sources	33,729	31,499	2,230
 TOTAL REVENUES	 \$ 33,729	 \$ 31,499	 \$ 2,230
 <u>EXPENDITURES</u>			
PUBLIC SAFETY:			
Treasurer/Clerk Fees	1,500	1,500	-
Board Fees	345	360	15
Legal	177	177	-
Audit	2,097	2,097	-
Liability Insurance	6,174	5,841	(333)
Workers Compensation	823	823	-
Supplies	826	826	-
Contracted Services	5,186	5,187	1
Training	-	-	-
Utilities	6,166	6,166	-
Telephone	458	464	6
Communications	39	40	1
Maintenance/Repair	1,716	1,717	1
Capital Outlay	10,500	4,725	(5,775)
Miscellaneous	361	376	15
 TOTAL EXPENDITURES	 \$ 36,368	 \$ 30,299	 \$ (6,069)
 Excess of Revenues Over (Under) Expenditures	 (2,639)	 1,200	 (3,839)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	(1,200)	(1,200)	-
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 (3,839)	 -	 (3,839)
 FUND BALANCE, JULY 1	 9,740		
 FUND BALANCE, JUNE 30	 \$ 5,901		

The notes to the financial statements are an integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

DEBT RETIREMENT FUND – BALANCE SHEET

JUNE 30, 2008

ASSETS

Accounts Receivable

\$ 1,166

TOTAL ASSETS

\$ 1,166

FUND EQUITY

Fund Balance

1,166

TOTAL FUND EQUITY

\$ 1,166

The notes to the financial statements are an integral part of this report.

CASPIAN-GAASTRA FIRE AUTHORITY

**DEBT RETIREMENT FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2008

REVENUES

Assessments	\$	13,987
TOTAL REVENUES	\$	13,987

EXPENDITURES

LONG-TERM DEBT

Principal	7,624	
Interest	7,563	
TOTAL EXPENDITURES	\$	15,187

Excess of Revenues Over (Under) Expenditures		(1,200)
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OTHER FINANCING SOURCES (USES)

Operating Transfers In (Out)		1,200
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Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses		-
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FUND BALANCE, JULY 1		1,166

FUND BALANCE, JUNE 30	\$	1,166

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Caspian-Gaastra Fire Authority
P.O. Box 530
Caspian, Michigan 49915

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Caspian-Gaastra Fire Authority**, Caspian, Michigan as of and for the year ended June 30, 2008, which collectively comprise the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's basic financial statements, and have issued our report thereon dated December 04, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and by the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Caspian-Gaastra Fire Authority**, Caspian, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such opinions. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **Caspian-Gaastra Fire Authority**, Caspian, Michigan, in a separate letter dated December 04, 2008.

This report is intended solely for the information and use of the management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

December 04, 2008